



FOR IMMEDIATE RELEASE:  
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## FACT SHEET

### **MAYOR SANDERS ANNOUNCES IMPROVED CASH-HANDLING PRACTICES FOR PARK AND RECREATION DEPARTMENT**

*Pre-Printed/Pre-Numbered Permits and Applications, Closer Scrutiny of Bank  
Statements Among New Procedures To Be Implemented Following  
Alleged Embezzlement by Recreation Center Director*

Mayor Jerry Sanders today announced the planned implementation of improved cash-handling practices in the City's Park and Recreation Department. The new procedures follow the discovery that a recreation center director allegedly embezzled in excess of \$70,000 over a four-year period from 2003-2006 while working for the City at the South Bay/Robert Egger Sr. Recreation Center. The majority of the funds were allegedly embezzled from the South Bay/Robert Egger Sr. Community Park Recreation Council, with a small amount—less than \$4,000—owed to taxpayers in the form of city permit and activity fees that were never deposited.

The new cash-handling procedures being developed by the Mayor's Office are to help prevent the reoccurrence of stolen funds by City Recreation Center staff. Chief among the cash-handling practices to be implemented are the issuance of pre-printed and pre-numbered building and field use permits and activity registration forms; tighter check disbursement procedures and supervision; and closer scrutiny of bank statements.

Shortly after the missing funds were confirmed by San Diego Police Department investigators, the Mayor hired the independent CPA firm of Mayer Hoffman McCann P.C. (MHM) to conduct independent reviews of internal money controls at South Bay/Robert Egger Sr. Recreation Center and five other recreation centers chosen at random by virtue of size and geography: Balboa Park/Morley Field, North Clairemont, Rancho Bernardo Glassman, Skyline Hills, and Tierrasanta.

On June 15, 2007, MHM delivered to the mayor six reports—one for each recreation center reviewed—entitled "Independent Accountants' Report on Agreed Upon Procedures Applied to Internal Control." These reports detail specific cash-handling procedures currently being followed at the six recreation centers and make specific recommendations, where needed, for improving the procedures at these sites. These recommendations have been incorporated in the new practices announced today.

## **BACKGROUND**

- Helen Ferrell, a 21-year City employee, was assigned to South Bay/Robert Egger Sr. Community Park as a Recreation Center Director III from 1995 to 2006.
- On December 1, 2006, Ferrell was confronted by her immediate supervisor regarding missing funds. Ms. Ferrell immediately resigned from employment and City staff initiated an internal investigation and the San Diego Police Department initiated a criminal investigation.
- The Police Department's Economic Crimes Section ultimately submitted a case to the District Attorney alleging that in excess of \$70,000 was fraudulently embezzled via several methods during a four-year period from 2003 to 2006.
- Throughout the three-month investigation, the Police Department and Park and Recreation Department worked in partnership with the District Attorney's Office to pursue criminal actions.
- There are 53 recreation centers in operation throughout the City. With these operations, 50 have active park advisory Recreation Councils, as per City Council Policy 700-42.
- Per City Council Policy 700-42, as adopted in February 2007, *the purpose of recreation councils shall be to promote the recreation programs in the community through planning, administering, publicizing, coordination, and interpretations.*
- The SBRC is a citizen-advisory organization that works cooperatively with the City of San Diego Park and Recreation Department, specifically at South Bay/ Robert Egger Sr. Community Park. The SBRC is a separate entity from the City and aids the City's parks by purchasing items not budgeted through the City, including recreation equipment, sports uniforms, and transportation for youth events, etc.
- The SBRC also sponsors classes and sporting events through the Park and Recreation Department, as well as seasonal bazaars and banquets, among other events. For their participation, the SBRC shares some revenues with the City obtained from youth sports and classes held at park locations. The Council is allowed to generate revenues through the park by participation in other projects, such as recycling.
- During the period from 2003 to 2006, it is alleged that Ferrell embezzled in excess of \$70,000 from the SBRC bank account. She did so by forging bank documents, withholding bank deposits, pocketing excess funds from checks written for amounts that exceeded actual costs, and using SBRC checks as payment for personal debts.
- It is also alleged that during this same period, Ferrell stole \$2,860 from the taxpayers by pocketing recreation center building and field use permit fees.

**WHAT STEPS HAS THE CITY TAKEN TO PREVENT THIS FROM HAPPENING AGAIN?**

1. Retained Mayer Hoffman McCann P.C., an independent CPA firm, to conduct independent random reviews of six recreation centers, specifically pertaining to the issuance of city permits, cash handling, and documented internal accounting controls. The reviews began in March and were completed in April. The reviews provide a baseline of the current operations as they pertain to internal controls, and will assist the city with recommendations on how to tighten these internal controls, as necessary.
2. Established a quarterly notification process to all recreation councils to alert them to the need for proper oversight of City staff in their handling of recreation council bank accounts.
3. Authorized the purchase of cash registers for all recreation centers. Once installed, staff will be required to use a cash register to record and collect payments of any kind.
4. Sent email to all Park and Recreation staff members alerting them to several new internal controls for immediate use by center staff including:
  - using pre-printed and pre-numbered registration forms for registration for all classes and activities held at recreation centers, as well as for building and field use permits (rentals)
  - allowing only pre-approved cash disbursements from recreation council bank accounts using a voucher with supporting documentation for the disbursement
  - keeping blank recreation council checks under lock and key at all times
  - prohibiting pre-signed recreation council checks from being in the possession of any city staff or at a city facility
  - requiring the issuance of a receipt that is either an official City receipt or some other document that has a pre-printed number on it that is used as a control mechanism when receiving cash in any form at a recreation center
5. As part of new cash-handling procedures to be added to standard recreation center practices, staff scheduling will be done in such a way to ensure that two staff members are present to intake permits and handle cash; additionally payment hours will be limited to only those times when two staff members are present to help eliminate the temptation to circumvent cash handling procedures by making employees accountable to each other as well as management.
6. By September 1, Park and Recreation Center supervisors will control the issuance of the pre-numbered registration forms to compare the bank deposits to the amount on the registration forms as completed.
7. By September 1, all Recreation Council cash disbursements must be pre-approved by the center director's supervisor.
8. By September 1, center director supervisors will be required to physically receive unopened recreation council bank statements on a quarterly basis and compare these to the most recent recreation council treasurer's reports as approved by the recreation council.
9. Starting on September 6 (after summer operations), begin training all recreation center staff on the new procedures and processes. Complete training within 30-days.

10. By the end of September, a training based on new cash-handling procedures for all recreation center staff will be developed. The training will be for front-line staff, as well as supervisors of the recreation center operations. The training will review those new procedures that have already been implemented for cash handling to make sure that all appropriate staff members are up to date on this training. The training will help to ensure that every recreation center is handling their financial management in a uniform way. This will enable auditors, city management and recreation council treasurers to better evaluate park and recreation staff on their financial dealings and cash handling.

By the end of Fiscal Year 2008, Park and Recreation staff will be given ethics training. This will help to create a culture of ethical behavior within departments and will help front line employees and managers to understand the behavior expected of them by the Mayor and by the public.

#### **STATUS OF MEASURES RECOMMENDED BY MHM**

MHM made a series of recommendations based on their findings at the six park and recreation centers which were reviewed. These recommendations, and the status of their implementation, are as follows:

- Use cash registers at recreation centers to increase control over cash receipts. ***Funds allocated; cash registers have been ordered.***
- Use pre-printed/pre-numbered permits at the recreation centers. The area manager should be responsible for issuing the permits to the recreation center director and verifying that all permit numbers are accounted for, and that the amounts collected equal the bank deposit. The preparer and reviewer of this reconciliation should both sign off on the reconciliation. ***Forms have been ordered; procedure to be added to standard recreation center practices.***
- Develop a department instruction on handling cash receipts (e.g. cash registers, limiting receipt of funds). ***Underway; to be included in training.***
- Keep file drawers containing receipt book, petty cash funds, blank check stock, etc. locked, and keep the keys to the drawers in the safe. ***Adopted; procedure to be added to standard recreation center practices.***
- Checks should be endorsed immediately by the use of an approved stamp at the time they are delivered to staff as payment. This is to ensure that checks can only be deposited in the recreation center's bank account. ***Adopted; stamps to be ordered; procedure to be added to standard recreation center practices.***
- Update receipting policies for the recreation centers to provide guidance to recreation staff about how cash receipts should be handled. ***Underway; to be included in training.***

- Recreation Council should only sign checks after receiving and approving adequate supporting documentation for the disbursement. The check should be made out to the entity noted on the supporting documentation. Blank checks should no longer be issued to city staff. ***Adopted; procedure to be added to standard recreation center practices.***
- Area manager or Recreation Council should reconcile cash advances. The review should include a reconciliation of actual receipts and a bank deposit receipt (for the amount not disbursed) to the total amount of the check that was written. The Recreation Council or area manager should document this review by signing the reconciliation form. ***Adopted; procedure to be added to standard recreation center practices.***
- Policy and procedures manual should be prepared for the case disbursements related to Recreation Council funds. ***Underway; to be distributed when completed.***
- Area director or member of the Recreation Council should review the monthly bank reconciliation to ensure the bank balance on the reconciliation agrees with the bank statement, and to ensure the reconciled balance on the reconciliation agrees with the checkbook balance. ***Adopted; procedure to be added to standard recreation center practices.***
- City should establish a policy that prohibits the Recreation Center director from receiving cash advances. ***Adopted; City to switch to voucher system allowing cash disbursements after Recreation Council has verified invoices/bills.***